

Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSCE-00 SSO-00 INR-05 CIAE-00
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C O N F I D E N T I A L LIMA 3215

LIMDIS

E.O. 11652: GDS
TAGS: EFIN, PE
SUBJECT: PERU'S FINANCIAL CRISIS- DANGER THAT PERUVIAN LOANS WILL BE
CLASSIFIED BY U.S. COMPTROLLER OF THE CURRENCY

REF: LIMA 3167

1. LEADING U.S. WEST COASTBANKER CALLED ECONOMIC/COMMERICAL
COUNSELOR EVENING APRIL 12 WITH REPORT THAT US COMPTROLLER
OF THE CURRENCY AS PART OF ONGOING EVALUTION OF FOREIGN LOANS
PLANS TO REVIEW PERUVIAN CASE EARLY IN WEEK OF APRIL 17 AND
THAT IT IS "ALMOST A FOREGONE CONCLUSION" THAT PERU'S SHORT-
TERM AND OTHER DEBTS WILL BE CLASSIFIED, I.E. MOVED FROM
CATEGORY 2 "ESPECIALLY MENTIONED" TO CATEGORY 3 "SUBSTANDARD".
BANKER ESTIMATED THAT SOME 140 U.S. BANKS ARE NOW COVERING
\$1.3 BILLION IN SHORT-TERM CREDITS ALONE TO PERU, AND THAT
MOST OF THESE BANKS WOULD SCRAMBLE TO REDUCE OR ELIMINATE
EXPOSURE IF COMPTROLLER CLASSIFIES LOANS AS SUBSTANDARD.
THIS ACTION, BANKER STATED, WOULD HAVE DISRUPTING EFFECT
ON TRADE AND WOULD SERIOUSLY EXACERBATE PERUVIAN ECONOMIC
CRISIS. IT IS BANKER'S IMPRESSION THAT
CLASSIFICATION WILL APPLY BOTH TO PRIVATE AND PUBLIC
SECTOR LOANS.
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2. COMMENT: THE PRIVATE SECTOR BANKS HERE ARE
SUFFERING FROM A FOREIGN EXCHANGE SQUEEZE AS THE PUBLIC
SECTOR EXTRACTS UP TO 60 PERCENT OF DOLLARS TRADED ON
THE OFFICIAL MARKET IN ORDER TO MEET GOP OBLIGATIONS.
THUS PRIVATE BANKS ARE CURRENTLY REQUESTING SHORT-TERM
ROLLOVERS IN MANY CASES. HOWEVER, WE HAVE NO EVIDENCE

THAT GOP RESCHEDULING PLANS INCLUDE SHORT-TERM DEBT.
IN FACT IT IS OUR IMPRESSION THAT GOP WISHES TO
RESCHEDULE PUBLIC SECTOR MEDIUM-TERM DEBT IN PART TO
MAKE MORE FOREIGN EXCHANGE AVAILABLE FOR ORDERLY
PAYMENT OF SHORT-TERM OBLIGATIONS, BOTH PUBLIC AND
PRIVATE. UNDER THESE CIRCUMSTANCES, AND IN VIEW OF
POSSIBLE FORTHCOMING WASHINGTON VISIT BY FOREIGN AND
FINANCE MINISTERS (REFTEL), COMPTROLLER'S DECISION
TO CLASSIFY PERUVIAN DEBTS AT THIS TIME WOULD BE
MOST UNFORTUNATE.
SHLAUDEMAM

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